

CIA HISTORICAL REVIEW PROGRAM RELEASE IN FULL THE CURRENT SITUATION IN IRAN

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ORE 65-49 Published 27 June 1949

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THE CURRENT SITUATION IN IRAN

SUMMARY

The stability of government in Iran has increased markedly during the spring of 1949. Internal security has been maintained on a relatively high level, Soviet threats and pressures have been firmly resisted, and important steps have been taken to improve the national economy and increase the operational efficiency of the government. The fight for supremacy between conflicting groups, however, remains as a threat to internal stability. This threat may become aggravated if the Shah and the army seek to increase their authority further.

Before the attempt on the Shah's life in February, there had been a trend toward instability as a result of irresponsibility on the part of the country's legislators. The attempted assassination, however, had a unifying effect on the government, and the Majlis registered some notable accomplishments including the approval of measures curbing its hitherto unchecked authority and granting greater powers to the Shah. The government took the occasion to outlaw the resurgent Tudeh Party (a potentially dangerous Soviet tool) although no evidence was produced that the attack on the Shah was a Tudeh plot, and martial law was gradually extended throughout the country.

In the economic field, the government has made unexpected progress in drafting a seven-year plan for large-scale economic and social improvement. Nevertheless, serious economic ills remain to encourage popular discontent, and there are certain to be delays and obstructions in the implementation of the Seven Year Plan.

The Iranian military high command has continued its policy of integrating the tribes

into Iran's defense scheme and has made plans to incorporate the gendarmerie into the army.* The army has repelled a number of attacks by Soviet frontier forces but would be unable to offer effective resistance to an actual Soviet invasion. The Shah and the Chief of Staff are eager to increase the size of the army, claiming that such an increase would permit Iran's forces to take effective delaying action in the event of an invasion by the USSR. The army is able to maintain internal security, and its capabilities in this respect are being considerably increased by the arrival of US military supplies.

Iran's position vis-à-vis the USSR continues precarious, although the Iranian Government has not been intimidated by vitriolic propaganda, repeated border violations, and diplomatic protests and threats. The curbing of the Tudeh Party undoubtedly hampered Soviet political activities in Iran, and efforts will certainly be made to resuscitate the party. The USSR is very resentful of US activities in Iran and has endeavored to establish a case for invoking Article VI of the 1921 Irano-Soviet Treaty, which permits the entry of Soviet troops into Iran under certain conditions if it appears that the latter is being used by a third party as a base from which to attack the USSR. It is considered unlikely, however, that the USSR would be willing to resort to direct intervention at this time. The Kremlin will, however, continue to apply strong political and psychological pressures in an effort to force Iran into submission.

Note: The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report. It is based on information available to CIA as of 31 May 1949.



^{*} Information has just been received that these plans were put into effect on 29 May. The merger is for a six-month trial period and must be authorized by the Majlis before it takes permanent effect.

While Iran is expected to maintain its resistance to Soviet pressures and to strengthen its Western alignment, it will remain insistent on more aid from the US. If, however, it loses

confidence in US and UK support, it may adopt a policy of neutrality or even feel compelled to enter into a disadvantageous arrangement with the USSR.

THE CURRENT SITUATION IN IRAN

1. Political Situation.

Iran's political stability increased considerably during the spring of 1949. Up through late 1948, the disunity and inactivity which had long hampered governmental processes continued in effect. The Majlis-free of any checks on its authority, beset with intrigue, and devoted to the self-interest of its members—remained deaf to pleas that it pass needed legislation and continued to snipe at the governments it had put in office. When a new government under Mohammad Saed took office in November 1948, it required more than a month to obtain even a bare vote of confidence from the Majlis and appeared doomed to even quicker frustration than its predecessor, the Abdol Hossein Hajir government, which had been able to accomplish virtually nothing during its five months in office.

During the next few weeks Saed was able to line up the support of most of the groups in the Majlis, including the largest faction, that of former Prime Minister Qavam es Sultaneh, and he succeeded in getting the Majlis to approve the government's budget for the remaining four months of the fiscal year—an achievement no other government had made in years. Before Saed could make further progress, however, his coalition became embroiled in a dispute between the forces of the court and those of Qavam, who was attempting to win exoneration from charges of malfeasance. (The Shah, ambitious for himself and for Iran, became more impatient than ever over the shortgovernment.) comings of constitutional Meanwhile, the continuing stagnation of government was partly responsible for the resurgence of the pro-Soviet Tudeh Party, which had been rapidly gaining strength during 1948.

These tendencies toward disintegration were abruptly checked by the attempted assassination of the Shah on 4 February 1949. Although it has been established that the would-be assassin was an adherent of the Tu-

deh Party as well as a reporter for the newspaper of a fanatical Moslem society, the attempt itself, while probably inspired by Tudeh propaganda, appears to have been an act of individual terrorism rather than part of a widespread plot. In any event, it provoked no outbreaks on the part of dissident groups in the population. The attack, nevertheless, had a profound effect on the political community and provided the regime with an opportunity for strengthening its position. The government took the occasion to crack down on its opponents and gradually extended martial law throughout most of Iran. The Tudeh Party, charged with responsibility for the attempt on the Shah, was immediately outlawed, and several hundred of its key members were arrested, although about twenty of the party's top men escaped, some reportedly to the sanctuary of the Soviet Embassy. The government also moved to deport its principal religious opponent, the fanatical Mullah Kashani, and to apprehend other non-leftist opponents of the regime. Qavam, the only political figure capable of rivaling the Shah in political power, found it expedient to depart for Paris.

Other changes in Iranian political life took place in the wake of the assassination attempt: the friction between the Shah and the Majlis (which had often left the prime minister in the middle) was eased; the constitutional framework for effective government was strengthened; and the stalled legislative machinery was set in motion. It was at first feared that the Shah, who had at various times during the previous year tried unsuccessfully to obtain greater powers, would take advantage of the situation to seek dictatorial authority. Instead, however, he shrewdly called in a representative group of elder statesmen and enlisted their support and guidance for a moderate constitutional reform program, which would be effected by an elective constituent assembly to be called for the second time in the forty-three years of the constitution's existence.

In a burst of energy which would have seemed impossible six months previous, the Majlis: (1) extended Prime Minister Saed a nearly unanimous vote of confidence (thus strengthening the government's hand in the difficult negotiations with the Anglo-Iranian Oil Company about to take place); (2) approved the long-discussed Seven-Year Plan bill for economic development; (3) authorized convocation of the Constituent Assembly asked for by the Shah; and (4), as final proof of its changed attitude, approved the bill as requested by the Shah for convoking a Senate. (When the Majlis opposed an ill-advised government-sponsored bill drastically curbing freedom of the press, however, it indicated that its cooperation did not extend to indiscriminate approval of greater powers for the Shah.) The trend toward cooperation was continued when the Constituent Assembly, made up largely of members of the Majlis and of other notables backed by the court-army group, accomplished its task in less than three weeks after its convocation on 21 April.

The principal result of these events has been a shift in the balance of power from the Majlis to the Shah. Under the more important of the two constitutional amendments adopted by the Assembly (the other provides a regular procedure for making future amendments), the Shah is authorized to dissolve Parliament—although not more than once on the same issue and new elections must be called promptly. As a result, he now has a constitutional weapon against dilatory legislators. The establishment of the Senate, half of whose members are to be named by the Shah, will also increase the influence of the court and will provide a counterweight against factional irresponsibility. while, the new strength of the court-army group will undoubtedly be reflected in the elections for the XVI Majlis scheduled to begin late in May—notwithstanding army assurances that martial law will be lifted during the balloting period.

Prime Minister Saed's position has also improved in the last few months. Despite his apparent lack of full support from the Shah,

the smallness of his personal following, and a reputation for limited executive ability. Saed has exhibited great skill and acumen in retaining the support of the factions in the Majlis while cooperating with the Shah. Although a violent attack in the Majlis in April against Chief of Staff Razmara raised doubts as to the durability of political harmony in Iran, Saed emerged with a strong vote of confidence. He is currently faced with growing criticism over Iran's failure to obtain US aid comparable to that furnished Turkey, but this issue is unlikely to have any significant effect on the current domestic political situation, and Saed will probably retain office until after the elections because of his proved political skill and the belief of many deputies that their best chance of re-election lies in continuing to support him. Whether he stays on after the new Majlis meets will depend for the most part on the Shah.

The Shah is expected to take an increasingly active part in the direction of his country's affairs. He will support measures for social and economic improvement and will continue to maintain a stiff policy toward the USSR, in line with the attitude he has consistently held in the past. The increased influence of the Shah may alienate ambitious political leaders anxious to dominate the Iranian political scene; at the same time, it may encourage strong army personalities to press for a military dictatorship.

2. Economic Situation.

Iran's economic situation continues favorable in certain important respects. Crop conditions are generally good; government revenues, contrary to budget estimates, exceed expenditures; and the considerable revenues from Anglo-Iranian Oil Company (AIOC) operations are expected to be doubled in the near future.

Serious economic problems, however, persist. Despite a harvest in 1948 which was considered sufficient to meet the country's grain needs, severe local bread shortages developed, apparently as the result of hoarding, smuggling, and maladministration. The government was compelled to deplete its stocks in an effort to maintain supplies of low-cost

bread and was also forced to import considerable quantities of grain. Other economic ills include constant exploitation of the peasants by landowners, a general low standard of living, high commodity prices, low industrial wages, and chronic unemployment. The absence of serious unrest in the country indicates that thus far labor has accepted these conditions with stoicism; nevertheless, the situation is sufficiently dangerous for the government to feel that, by way of appeasing labor, it must keep great numbers of workers nominally employed in the government factories, an important factor in unprofitable operations. While the outlawing of the Tudeh Party has driven its labor union activities underground, the Tudeh platform undoubtedly still appeals to the workers of Iran, and the party will continue to be a force in the ranks of labor. The synthetic governmentsponsored labor unions are vociferously anti-Tudeh but have developed no positive program designed to appeal to the workers.

Recently there has been unexpected progress toward setting in motion a comprehensive economic-development program. During the winter, an association of US engineers, Overseas Consultants Inc. (OCI), made surveys of the country and reported that a large-scale development program, properly administered, was practical in Iran. On 15 February the Majlis approved the Seven-Year Plan bill for economic and social improvement. The government is tentatively authorized to proceed with executing a program involving the expenditure of \$656 million.* The program will be financed partly through current revenues and partly through loans. The bill provides for the government to divert all of its oil revenues to the program; under terms now being offered by AIOC, these would approximate \$75

million annually. The bill also authorizes a loan equalling some \$140 million from the National Bank of Iran (Bank Melli) and empowers the executors of the program to negotiate a loan ranging up to \$250 million from the International Bank for Reconstruction and Development (IBRD), subject to the approval of the Majlis. While IBRD has shown some interest in the program, it has refused to commit itself regarding a loan and has indicated that Iran must make specific requests on the basis of projects fully blueprinted.

Actual work under the program can begin once the Majlis Program Commission has approved the recommendations of the Planning Organization, and once the functional organization has been established. Delays will occur and the Shah, while expressing a determination to carry out the plan, may in some degree subordinate the interests of the program to those of the army.

While the program appears sound, its successful execution will require close foreign supervision, both technical and financial, in view of local inexperience and inefficiency and the prevalence of graft. Failure of the program or protracted delays would result in disillusionment and dissatisfaction, which would seriously affect the stability of the government and would benefit the Tudeh Party in its attempts to orient the Iranian people toward the Soviet Union.

3. Military Situation.

Iran's armed forces,* the army and the gendarmerie, exert a major influence on the life and stability of the country. Not only are they responsible for internal security and the protection of the frontiers, but they also

^{*} The program includes housing and municipal improvements, public health measures, expanded educational facilities, and the construction of government buildings; agricultural projects, and the importation of agricultural machinery and fertilizers; expansion and improvement of railroads, roads, ports, and airports; improvement and expansion of industry and mining; formation of a government petroleum company to develop the oil resources in areas outside the AIOC concession; and the reequipment of the post and telegraph systems.

^{*} Iran's regular armed forces total about 136,000 officers and men; of these about 111,000, including around 600 naval and 2,200 air personnel, are in the army and about 25,000 in the gendarmerie. In addition to these forces the army has trained and equipped a number of tribesmen as auxiliaries. As part of its efforts to gain tribal cooperation, the army command invited 300 tribal leaders to a series of conferences, demonstrations, and exercises held in Tehran during September 1948. The effectiveness of this policy is revealed by the unusual degree of tranquility prevailing in tribal areas and the assistance rendered the army by tribesmen along the Soviet border.

play an important role in the political life of the nation. Over wide areas, especially in the tribal districts, the army exercises—even in the absence of martial law—functions belonging to civil authorities, and exerts strong political influence by interfering in elections. The gendarmerie, which is at present under the Ministry of Interior and is therefore a civil organization,* wields a similar influence through its intimate contact with the population throughout the country.

The army, with the possible exception of minor elements, is loyal to the Shah, its Commander-in-Chief, and has a major part in maintaining his policies. The recently adopted conciliatory policy toward the tribes has not only enhanced the army's ability to maintain internal order and to resist Soviet efforts at penetration but has also secured additional support for the Shah and the government.

The principal weakness of the armed forces is widespread corruption, especially among the officers (attributable in part to their low pay), and a flair for intrigue among higher officers who are rivals for power. The bitter feud between the Chief of Staff, General Razmara, and the Minister of War, General Ahmadi, is a conspicuous example of this rivalry. Despite Ahmadi's efforts to unseat Razmara, who is considered to be Iran's most able officer with influence second only to that of the Shah, it is likely that Razmara will continue for some time in his present capacity.

The Shah and the Chief of Staff are persistent in their desire to increase the size of the army, having named figures ranging from 150,000 to 300,000. They claim that a substantially larger army could effect a delaying action against armed aggression which would provide time for assistance to reach Iran from outside. This year's increased army budget (\$66 million as opposed to last year's \$56 million) suggests that an expansion of the army is definitely contemplated or possibly already under way.

The armed forces will be appreciably strengthened by US military equipment and supplies which commenced arriving in Iran in February. The material falls short of Iran's original request, however, and consid-

erable additional equipment would be required if the army were increased even to 150,000 men.

The Shah and the Chief of Staff are also considering merging the bulk of the gendarmerie with the army.* If this merger is effected, the army's influence in civil affairs will be considerably increased. While the merger could conceivably strengthen the security of Iran by giving more unified direction to the armed forces, the proposal has been interpreted by liberal opposition elements as a step toward autocratic control, and as such it could arouse considerable animosity against the Shah and the Chief of Staff. This move would, moreover, readily lend itself to propaganda exploitation by the USSR. It might also prejudice the continued existence of the US Military Mission to the gendarmerie, thereby reducing US contacts and influence in Iran.

Iran's armed forces are adequate for maintaining internal order, controlling the frontiers, and suppressing any dissidents who under Soviet inspiration might seek to enter Iran by force in order to overthrow the central government or to detach the province of Azerbaijan from Iran—so long, that is, as these dissident elements are not provided with strong armed support by the USSR. Although the Shah insists that the army would resist a Soviet invasion, it is unlikely that the present Iranian forces could offer more than token resistance. If Iran's army were better trained and equipped, it might offer limited delaying action against such an invasion. Furthermore, if properly trained, organized, and equipped, selected army units could in cooperation with the tribes carry on guerrilla operations in areas suitable to this type of warfare. The scope and the effectiveness of such guerrilla activities would be dependent on the

^{*} The merger was actually effected on 29 May. Under the plan (which is being carried out on a six-month trial basis and must be authorized by the Majlis before it can take permanent effect), the army assumes command of the entire gendarmerie, although 4,000-5,000 members are to be detailed back to the civilian Ministry of Interior for the execution of civil functions.



equipment and direction supplied by the US or the UK.

4. Foreign Affairs.

a. Relations with the USSR and the US.

The tactics employed by the Soviet Union against Iran during the past months have netted the Soviets no tangible benefits. Measures taken by the Iranian Government, on the other hand, have appreciably strengthened Iran's ability (at least temporarily) to counter Soviet subversive activities and to resist Soviet pressures. Iran's continued ability to counter these efforts of the USSR will depend, in the long run, on the steps the government takes to improve the lot of the masses and on the degree of support given Iran by the US and the UK.

While the USSR has made no further demands on Iran by way of official notes since the series delivered during the first half of 1948, it has maintained steady pressure by means of subversive activities and an intensifled war of nerves. Thus the Soviets aided the resurgent Tudeh Party to such an extent that by the end of 1948 it had developed into a serious threat against Iranian stability, and early in 1949 the government seized the opportunity provided by the attack on the Shah to outlaw the party. Furthermore, a "Free Democratic Azerbaijan Government-in-Exile" was formed, according to the Soviet radio, by members of the defunct autonomous regime in Azerbaijan who had fled to the USSR. The radio claimed that the government-in-exile would liberate Azerbaijan and reestablish a "democratic" government there. Also, Soviet agents among Kurdish tribes in northwestern Iran and in other areas of the Near and Middle East have been agitating for the establishment of a Kurdish national state. The idea of Kurdish independence has been played up by the Soviet radio and by clandestinely distributed literature; and it has been intimated that the Barzani Kurds, who during the latter part of 1947 fled from Iraq through Iran into the USSR, would return forcibly at a propitious time. The USSR's war of nerves against Iran consists of a relentless radio and press campaign against the Shah, the government, and US activities in Iran; armed

attacks on Iranian frontier posts; ostentatious military maneuvers near the border; and various diplomatic maneuvers.

While the Soviet campaign has caused considerable speculation and worry, Iran has not been intimidated by these tactics. Formerly wary of offending the Kremlin, the Iranian Government has not only repudiated with vigor the charges put forth by the Soviet radio and press but has even accused the Soviet authorities of suppressing individual freedom within the USSR and has publicized the incidents along the border. Seven such incidents have been reported during the past nine months, and they appear to be of a more serious nature than previous ones. The Iranian forces have resisted all these attacks, and the Iranian high command feels that the army will continue capable of containing such activities and of frustrating any Kurdish separatist movement.

On the diplomatic front, there is little doubt that the Soviets have attempted to build up a case for invoking Article VI of the 1921 Irano-Soviet Treaty, which permits Soviet forces to enter Iran if it appears that the latter would be used by a third party as a base of operations against the USSR.* This third party has been identified as the US on various occasions—in the series of Soviet notes delivered to Iran in 1948, in verbal statements by the Soviet Ambassador in Tehran, and in newspaper articles and radio broadcasts. Although Iran has denied these allegations, the government has been concerned over the action which the USSR might take allegedly under the terms of the treaty. The Iranian Government has, however, been reluctant to file with the Security Council a record of Soviet interference since 1946, when the Security Council voted to retain the Iranian case on its agenda. Although such a move by Iran might act as a deterrent to possible overt action by the USSR and although the US and UK assured Iran of their support in the Security Council, the Iranians consider that the step would be untimely and might even be provocative to the USSR.

^{*} A subsequent exchange of notes defined the "third party" as partisans of the former regime in Russia or a foreign power seeking restoration of that regime.

While Soviet press and radio allegations regarding US activities in Iran suggest that the Soviet Union is still intent on establishing the applicability of the 1921 treaty to the current situation, the treaty probably will not be invoked at this time. Reluctance to invoke it may be attributed to the Soviet's concern over international reactions, and their consciousness of the spuriousness of their claims. Nevertheless, the possibility of Soviet military intervention can never be ruled out altogether.

There are several other developments which have a bearing on current relations between the two countries. The Iranian Government in August 1948 notified the USSR that the consular representation of the two countries must be placed on a reciprocal basis. The USSR informed the Iranian Government in March that, because of Iran's hostile attitude, it was closing all its consulates in Iran at once and requested that Iran take similar action. Soviet intentions are, however, obscured by the fact that thus far the USSR has proceeded to close but four of its eleven consulates and has given no indication that it will close the remainder. Iran has only one consulate in the USSR (at Baku); this it continues to maintain.*

With a view to eliminating one possible cause, or excuse, for incidents along the Soviet-Iranian border, the Iranian Government in early April considered requesting that the two governments jointly undertake to delimit those parts of the frontier which are in dispute. No action has yet been taken in this matter.

The departure of the Soviet Ambassador for Moscow in April may be without special significance, but it is considered likely that the Kremlin is engaged in re-examining Soviet-Iranian relations for the purpose of determining what tactics may be most effectively employed against Iran.

During recent months the Iranian Government has looked more and more to others for support against possible Soviet action. Although, spurred by the North Atlantic Treaty, it has considered strengthening the Saadabad Pact and forming a more extensive regional

pact, increased US aid has been its chief objective. The Shah, the Chief of Staff, and other leaders have again and again cited the strategic importance of Iran and its present vulnerability in an effort to obtain military aid from the US comparable to that given Turkey so that the strength and efficiency of the army may be increased. Recently the Prime Minister personally directed a written appeal to the US for various categories of aid aimed at increasing the general welfare of the Iranian people. Thus the Iranian Government, while expressing gratitude for US statements mentioning Iran specifically as a country in which the US is concerned, is constantly asking for more tangible evidence that US interest in the security of Iran is sufficient to provide a guarantee against Soviet aggression.

b. Relations with the UK.

British policy toward Iran continues to be generally in accord with that of the US, the UK strongly supporting US efforts to build up Iranian resistance to Soviet pressures. Although protracted negotiations between the UK and Iran concerning the Anglo-Iranian Oil Company (the UK's primary interest in Iran) have so far been inconclusive, it is expected that agreement will eventually be reached greatly increasing Iran's revenues from the company's operations. The British feared that their second most important interest in the country, the Imperial Bank of Iran, might have to close its doors in view of stringent legislation proposed by the Governor of the Bank Melli (the National Bank of Iran). An agreement has been reached with the Iranian Government, however, which will enable the bank to continue to function satisfactorily.

c. Relations with Other Middle Eastern States.

Iran's relations with its neighbors continue to be friendly. Agreement has now been reached on the employment of neutral experts to make recommendations for distributing the Helmand River waters, a problem which has caused recurrent friction between Iran and Afghanistan.

The matter of sub-surface mineral rights in the Persian Gulf has still to be settled by the littoral countries. The possibility of a

^{*} The Iranian Foreign Minister has now announced at a press conference that according to an agreement between Iran and the USSR, the respective consulates of both countries will be closed.

violent reaction in Iran, if the Saudi Arabian Government had issued without prior advice to Iran a proclamation on its claim, has been diminished by Iran's preparation of a similar claim for its side of the Gulf.

5. Probable Future Developments

The relatively high degree of internal security now prevailing in Iran is expected to continue. Government stability will probably be maintained at its present level, and greater administrative efficiency may result from recent measures aimed at speeding up the operations of the Majlis. While the government will continue in the hands of the present ruling groups, the Shah is expected to exert greater control than in the past. Some progress will be made in enacting long-delayed social legislation and in blue-printing the seven-year economic improvement program, but serious delays may well develop in the execution of new laws and in the implementation of the seven-year program. Should these delays be protracted, the Tudeh movement, which remains potentially a powerful force, and other subversive elements will gain in strength. They will find a fertile field for their activities in growing popular discontent, especially among the unemployed in industrial areas and among the people of Azerbaijan, where dissatisfaction with the central government has long existed.

Recent Soviet actions have further obscured the USSR's immediate intentions toward Iran. While the USSR's Iranian policy is probably undergoing review by the Kremlin with the aid of Ambassador Sadchikov, any new tactics decided upon are not likely to be set in operation until the outcome of the Conference of Foreign Ministers at Paris becomes manifest.

It may be expected, however, that the USSR will maintain its support of the Tudeh Party and other subversive elements and will carry on its propaganda directed toward undermining the Iranian Government. It will continue to promote nationalism among the Kurds and secessionism among the Azerbaijanis. One of its principal immediate objectives will continue to be the elimination of US influence in Iran and the re-establishment of Soviet supremacy in the northern part of the country.* It may increase its military attacks along the Iranian frontier and its military operations in areas north of the border. The likelihood, however, of an armed invasion and of the occupation of Azerbaijan and other northern provinces still seems remote, although the possibility of such drastic action cannot be ruled out altogether.

Iran will continue to resist Soviet pressure successfully, barring large-scale armed intervention. The Iranian Government strengthen its alignment with the Western Powers, provided it is sufficiently encouraged. Iran will, however, continue to be extremely sensitive to any fluctuations in US interest and support. It will persist in its appeal for direct aid, especially of a military nature comparable to that allotted Turkey. (It may also explore further the possibilities of developing a regional pact.) Lacking sufficient encouragement from the US and UK, Iran may revert to a policy of neutrality or even feel compelled to enter into a disadvantageous arrangement with the USSR.

^{*} The control of Azerbaijan, which contains onefifth of Iran's population and is its principal foodproducing area, would seriously endanger Iran's existence as an independent state.

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